

Message Text

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PAGE 01 BRUSSE 19553 01 OF 02 301438Z
ACTION TRSE-00

INFO OCT-01 EUR-12 EA-10 ISO-00 XMB-02 AID-05 CEA-01
CIAE-00 COME-00 EB-08 FRB-03 INR-07 IO-13 NEA-10
NSAE-00 USIA-06 OPIC-03 SP-02 LAB-04 SIL-01
AGRE-00 OMB-01 SS-15 /104 W
-----040379 301444Z /40

P 301422Z DEC 77
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC PRIORITY 4042
INFO AMEMBASSY BONN
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY LONDON
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY THE HAGUE
AMEMBASSY VIENNA
AMEMBASSY WELLINGTON

LIMITED OFFICIAL USE SECTION 01 OF 02 BRUSSELS 19553

PASS TREASURY (RYSS), EXIMBANK

ALSO FOR USEC, USOECD

E.O. 11652: N/A
TAGS: ETRD, EFIN, EC, BE
SUBJECT: MORLEGHEM COMMENTS ON REVISED U.S. EXPORT
CREDIT PROPOSAL

REF: STATE 306702

1. WE HAVE SPOKEN WITH GILBERT MORLEGHEM (BELGIAN MFA
OFFICIAL RESPONSIBLE FOR EXPORT CREDITS AND CHAIRMAN OF
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PAGE 02 BRUSSE 19553 01 OF 02 301438Z

THE OECD EXPORT CREDITS GROUP) ABOUT THE REVISED PROPOSAL
AS WELL AS THE JANUARY 9 DINNER WITH HUFBAUER IN PARIS
(RE RYSS PHONE CALL OF 12/28). AS FOR THE LATTER,
MORLEGHEM ACCEPTS WITH PLEASURE. HE WILL BE STAYING
AT THE HOTEL DE FRANCE, RUE D'ANTIN 22 (PHONE: 073-4361)
AND WORD ON EXACT ARRANGEMENTS CAN BE LEFT THERE. HE
WILL ALSO BE AT THE BELGIAN OECD DELEGATION MOST OF THE

DAY, JANUARY 9, IF U.S. DEL OFFICIALS NEED TO REACH HIM BEFORE THE EVENING.

2. CONCERNING THE REVISED PROPOSAL, MORLEGHEM CONSIDERS IT A DISTINCT IMPROVEMENT AND SAID HE WILL DO HIS BEST TO RALLY EC CONSENSUS AROUND IT. THE DANISH PRESIDENCY HAS ALREADY CONVOKED A MEETING IN BRUSSELS ON EXPORT CREDITS FOR JANUARY 5-6 AND MORLEGHEM EXPECTS OUR PROPOSAL TO BE THE MAIN TOPIC OF DISCUSSION. HE BELIEVES THAT AN EC CONSENSUS ON IT WILL BE VERY HARD TO OBTAIN, GIVEN, AMONG OTHER THINGS, THE DISTASTE MOST EC COUNTRIES WILL HAVE FOR ANY MINIMUM INTEREST RATE STRUCTURE OVER 8.5 YEARS. JUDGING FROM RECENT CONTACTS HE HAS HAD WITH THEM THE GERMANS WILL BE PARTICULARLY DIFFICULT, MORLEGHEM SAID, SINCE THE FRG IS COMING UNDER HEAVY PRESSURE FROM ITS EXPORTERS NOT TO REIN IN THEIR INTEREST RATE COMPETITIVITY IN THE WAKE OF THE DM'S RISE. NEVERTHELESS, MORLEGHEM BELIEVES THAT THE EC AND OECD COUNTRIES MAY BE ABLE TO AGREE AT THE JANUARY 10-13 PARTICIPANTS' MEETING ON AT LEAST KEY ELEMENTS OF THE PROPOSAL (E.G. MINIMUM INTEREST RATES, MIXED CREDITS, SOME TIGHTER PROCEDURES AND DEFINITIONS).

3. MORLEGHEM THEN OUTLINED SOME PROBLEMS IN THE REVISED PROPOSAL WHICH WILL PROBABLY REQUIRE U.S.-EC ACCOMMODATION IN PARIS. THESE ARE:
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PAGE 03 BRUSSE 19553 01 OF 02 301438Z

A. IMPLEMENTATION OF AN EXPANDED MINIMUM INTEREST RATE TABLE (I.E. PARA 3 REFTEL) SHOULD BE SUBJECT TO TIGHTER RULES AND PROCEDURES. THE EC COUNTRIES ARE UNLIKELY TO ACCEPT ALTERNATE RULES FOR MATCHING (PARA 9.2.II) WHICH ALLOW DEROGATION ON EITHER RATE OR REPAYMENT TERM, I.E. MATCHING SHOULD BE LIMITED TO IDENTICAL NON-CONFORMING TERMS. ANY TRADE-OFF BETWEEN RATE AND TERM - AND MORLEGHEM BELIEVES .30 PERCENT/YEAR MAY BE MORE REALISTIC - MIGHT BETTER BE USED ON A PENALTY BASIS.

B. ELSEWHERE IN PARA 3, MORLEGHEM BELIEVES THERE WILL BE GENERAL OBJECTIONS TO EXEMPTING OFFICIALLY-GUARANTEED (I.E. "PURE COVER") FROM THE CONSENSUS. SUCH A PRACTICE COULD HAVE THE EFFECT OF DISCRIMINATING AGAINST COUNTRIES WITH LOW MARKET RATES, PARTICULARLY WHEN SELLING TO EASTERN EUROPE. HE SEES CONFLICT IN OUR OWN PROPOSAL ON THIS POINT (SEE PARA 11(F)). ON CAPITALIZATION, MORLEGHEM SAID THE ISSUE HAS NOT YET BEEN DISCUSSED BY THE ECG; SOME COUNTRIES, INCLUDING BELGIUM, MAY WANT TO LEAVE ROOM FOR IT IN THE CASE OF BIG-TICKET SALES WITH LONG REPAYMENT TERMS.

C. SOME REQUIREMENTS FOR PERIODIC REPORTS (PARTICULARLY ANNEXES B AND E) ARE LIKELY TO SOUR THE NEGOTIATING CLIMATE (I.E. WITH THE FRENCH) FOR LITTLE PURPOSE. THE INFORMATION REQUESTED IS AVAILABLE FROM PUBLIC SOURCES. TO THE EXTENT THAT INFLATION INSURANCE IS STILL AN ISSUE - AND MORLEGHEM DOES NOT BELIEVE IT IS MUCH OF ONE - IT SHOULD BE LEFT TO THE GATT.

4. DURING HIS PRESENTATION, MORLEGHEM STRESSED SEVERAL TIMES THE IMPORTANCE OF REACHING AN AGREEMENT CONDUCTIVE TO BRINGING THE AUSTRIANS AND NEW ZEALANDERS INTO THE CONSENSUS. AUSTRIA HAS A PARTICULAR NATIONAL IMPORTANCE

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PAGE 01 BRUSSE 19553 02 OF 02 301438Z
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R 301422Z DEC 77
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC PRIORITY 4043
INFO AMEMBASSY BONN
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LIMITED OFFICIAL USE SECTION 02 OF 02 BRUSSELS 19553

FOR HIM, SINCE IT POSSESSES AN INDUSTRIAL AND MARKETING STRUCTURE SIMILAR TO THAT OF BELGIUM AND COMPETES IN MANY OF THE SAME MARKETS. CHAMBERS

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